

**Basin Electric**  
**East-Side Generation System Levelized Annual Cost**  
**Excludes MBPP Facilities**

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Date: 3/30/96

**Depreciation Expense**

D = East Side Generation Depreciation Expense. (From BEPC Accounting Records)	\$24,256,813
G = East Side Generation Facility Investment	\$980,089,689
SLD = D/T	3.4750%
m = 1/SLD (Depreciable Life)	40.404040
ROR = Overall rate of return from Page 1	7.8461%
Depreciation Expense Rate	
SFD = ( ROR / (((1+ROR) ^ m) - 1))	0.3893%
Composite Income Tax Expense	
FTR = Federal tax rate	35.0000%
STR = State tax rate (North Dakota)	10.5000%
Composite income tax rate = CIT	1.1547%
CIT = ((FTR/(1-FTR)+STR)/(1-STR))*(ROR+SFD-SLD)*(1-WLTD/ROR)	

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Depreciation Expense for General Plant

D = Total General Plant Depreciation Expense (From BEPC Accounting Records)	\$5,881,104
MD= MW,TSM, & Transmission General Plant Depreciation Expense (From BEPC Accounting Records)	\$ 1,745,964
T = Total General Plant Investment (From BEPC Accounting Records)	\$60,269,994
MT= MW, TSM, & Transmission General Plant Investment (From BEPC Accounting Records)	\$ 20,736,635
$SLD = (D-MD) / (T-MT)$	6.94396
$m = 1/SLD$ (Depreciable Life)	14.396982
ROR = Overall rate of return from Page 1	7.8461%
$SFDG = ( ROR / (((1+ROR)^m) - 1))$	3.9893%

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**Taxes Other than Income Taxes for Generation**

X = Taxes Other than Income Taxes (electric only) \$11,810,842  
(From BEPC Consolidated Statement of Operations)

Y = Total Utility Plant \$2,224,797,937  
(REA Form 12a, Sec B, Line 3 - 12h, PS, Line 3d & 3e)  
(Exhibit 7 : 7.1)

OT = X/Y 0.53093

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Determination of A&G Component

1. Total BEPC Electric Utility A&G Expense (REA Form 12a, Line 13b)	\$20,575,238
2. East Side Generation Plant Investment (From Page 2)	\$980,069,689
3. Total Utility Plant (From page 4)	\$2,224,797,937
4. A&G Allocated to Generation (line 1 * (line 2/line 3))	\$9,064,004
5. Rate for A&G expenses (line 4/line 2)	0.92481

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Operation and Maintenance Expense for Generation

A. Total Generation O&M Expenses  
 (REA Form 12a)

\$80,492,737

C. Total Generation Plant Investment

\$980,089,689

Rate for Generation O&M Expense (A/C)

8.2126%

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Allocations of General Plant to Generation

1a. Total General Plant Investment (From page 3)	\$80,289,994
1b. MW, TSM, Transmission General Plant Investment (From page 3)	\$20,736,835
2. Annual Costs Associated with General Plant	
a. Return (ROR * line (1a-1b))	\$4,671,031
b. Depreciation (SFDG * line (1a-1b))	\$2,374,956
c. Income Taxes (CIT * line (1a-1b))	\$687,425
d. Other Taxes (OT * line (1a-1b))	\$316,062
e. Maintenance of General Plant (REA Form 12a, line 18b)	\$363,510
	\$8,412,984
3. Ratio of A&G Expenses (see A&G calculation page 5)	0.9248%
4. Total Utility Plant (From Page 4)	\$2,224,797,987
5. Rate for Allocation of General Plant ( line 2 * ( 1 + line 3 ) ) / line 4	0.3316%

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Cost Components of East Side Generation

A. Weighted Cost of Capital (Page 1)	7.8461%
3. Depreciation rate for East Generation (page 2)	0.3893%
C. Composite income tax expense (Page 2)	1.1547%
3. Rate for other tax expense (Page a)	0.5309%
E. Rate for A&G expense (Page 5)	0.9248%
F. Rate for O&M expense (Page 6)	8.2128%
G. Rate for allocation of general plant (Page 7)	0.3816%
ii. Deferred income tax adjustment	<u>0.0000%</u>
Total fixed charge rate (A+B+C+D+E+F+G+H)	19.44026

**Note:** value should be zero. Basin Electric does not reduce rate base for Accumulated Provision for Deferred Income Taxes because these deferred tax liabilities have not been collected through rates previously charged to customers. Basin Electric has deferred tax assets resulting primarily from investment and energy tax credits which are used to offset current and deferred tax liabilities of its members. Consequently by using these tax credits the members are losing future tax benefits and are thus incurring a current cost for transmission pricing purposes.

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Basin Electric East Side Generation **System** Annual Cost

A.	East Side <b>Generation</b> Investment (From Page 2)	\$ 980,089,689
B.	<b>Total Fixed Charge Rate</b> (From Page 8)	<u>19.4402008</u>
C.	<b>BEPC Annual Generation Cost</b> (Line A*B)	3 190.531.396